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Anglo-Rouyn

MINES LIMITED

Annual Report 1967

Anglo-Rouyn Mines Limited

Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that an Annual Meeting of Shareholders of Anglo-Rouyn Mines Limited (the "Company") will be held in the Conference Room, 26th Floor, 120 Adelaide Street West, Toronto, Ontario, Canada on Friday, April 18, 1969, at the hour of 11:00 o'clock in the forenoon, (Toronto time):

- (a) to receive the annual report of the Company for the year ended December 31, 1968;
- (b) to elect Directors for the ensuing year;
- (c) to appoint Auditors for the ensuing year and to authorize the Directors to fix the remuneration of the Auditors; and
- (d) to transact such other business as may properly come before the meeting.

PROXIES are being solicited by the management of the Company. Shareholders are entitled to vote at the meeting either in person or by proxy in accordance with the provisions of The Corporations Act of the Province of Ontario. If you are unable to be present at the meeting, please sign the attached form of proxy and return it in the addressed envelope provided for the purpose. All instruments appointing proxies to be used at the meeting must be deposited with the Crown Trust Company, 302 Bay Street, Toronto, Ontario prior to 5:00 P.M. (Toronto time) on Thursday, April 17, 1969. Instruments appointing proxies not so deposited will not be voted at the meeting.

A copy of the annual report of the Company for the year ended December 31, 1968 is enclosed herewith.

By Order of the Board of Directors

Toronto, Canada.

March 7, 1969.

J. S. Turnbull

Secretary

Information Circular

This Information Circular is furnished in connection with the solicitation by the management of Anglo-Rouyn Mines Limited (hereinafter sometimes called "the Company") of proxies to be voted at the Annual Meeting of Shareholders of the Company to be held on April 18, 1969, (the "meeting"), for the purposes set forth in the accompanying notice of the said meeting.

VOTING RIGHTS

As at January 31, 1969 there were outstanding 4,807,585 shares of the Company with a par value of \$1 each. Each of such shares is entitled to one vote. All shareholders of record on April 18, 1969, the date of the meeting, are entitled to vote, but those desiring to be represented thereat by proxy must deposit their executed forms of proxy with Crown Trust Company, 302 Bay Street, Toronto prior to 5:00 P.M. (Toronto time) on April 17, 1969. A return envelope for this purpose is enclosed. If the enclosed proxy is executed, it will be voted in accordance with the instructions contained therein, but such proxy may be revoked by the signing shareholder at any time insofar as it has not been exercised, by following the procedure indicated below.

To the knowledge of the Directors and Senior Officers of the Company, the only person or corporation who beneficially owns directly or indirectly more than 10% of the shares of the Company is The Rio Tinto-Zinc Corporation Limited (Rio Tinto-Zinc), 6 St. James's Square, London, S.W. 1, England. On February 15, 1969 Rio Tinto-Zinc beneficially owned, through wholly owned subsidiaries, 6,349,047 common shares of Preston Mines Limited (Preston), an Ontario corporation, representing 80.89% of the outstanding common shares of Preston. As at the same date Preston beneficially owned 5,382,400 common shares of Rio Algoma Mines Limited (Rio Algoma), an Ontario corporation, representing 43.94% of its outstanding common shares. In addition, Rio Tinto-Zinc was the beneficial owner, through wholly owned subsidiaries, of an additional 1,909,832 common shares of Rio Algoma representing 15.59% of such outstanding common shares. Thus, Rio Tinto-Zinc on February 15, 1969, had a total net beneficial interest in Rio Algoma of 51.13%. In turn, Rio Algoma beneficially owned 2,796,775 shares of the Company, representing 58.17% of its outstanding shares. The net beneficial interest of Rio Tinto-Zinc in the Company was accordingly 29.74%.

ELECTION OF DIRECTORS

In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed (or for substitute nominees in the event of contingencies not known at present) who will serve until the Annual Meeting of Shareholders next following the meeting or until their successors have been duly elected or appointed.

Name	Period of Directorship extends from year below to date hereof	Shares of Anglo-Rouyn owned beneficially as at February 15, 1969 according to information received from Director (other than Director's qualifying shares)
R. D. Armstrong	1967	—
W. P. Arnold	1964	10,000
Senator S. A. Hayden, Q.C.	1943	5,100
J. A. Sadler	1956	—
A. C. Turner	—	—

The present principal occupation and association of each of the nominees for director are as follows: R. D. Armstrong is President of the Company and of Rio Algom.

W. P. Arnold is Vice-President of the Company and Executive Vice-President, Mining Operations of Rio Algom.

Senator S. A. Hayden is one of Her Majesty's Counsel and is the Senior Partner of McCarthy & McCarthy, Barristers and Solicitors, Toronto, Ontario.

J. A. Sadler is President of Rio Tinto Canadian Exploration Limited, a subsidiary of Rio Algom.

A. C. Turner has been Secretary of Rio Algom since February 1969; prior thereto he had been Controller or an accounting officer of Rio Algom since February 1963.

REMUNERATION OF MANAGEMENT

No direct remuneration was paid or is payable by the Company to the Directors in respect of the financial year ended December 31, 1968 nor are there any pension benefits payable by the Company to Directors.

Direct remuneration paid or payable to Senior Officers by the Company in respect of 1968 was \$64,840 and the cost to the Company of pension benefits to Senior Officers was \$2,937.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS OF THE COMPANY

The following are the material transactions of the Company since January 1, 1968 in which (i) any Director or Senior Officer of the Company; (ii) any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Company; and (iii) any associate or affiliate of the persons or companies named in subparagraphs (i) or (ii) had a direct or indirect material interest:

1. Rio Algom was paid management fees of \$60,000 by the Company in 1968 and a fee of like amount will be paid in 1969.

R. D. Armstrong of 30 Glenorchy Road, Don Mills, Ontario, (a Director and President of the Company) is President of Rio Algom; W. P. Arnold of 4 Deer Park Crescent, Toronto, Ontario (a Director and Vice-President of the Company) is Executive Vice-President, Mining Operations of Rio Algom; G. Baker of 107 Stratford Crescent, Toronto, Ontario (a Director of the Company) was Vice-President and Secretary of Rio Algom in 1968; A. G. Goodeve of 7 Stibbard Avenue, Toronto (Treasurer of the Company) is Treasurer of Rio Algom, and A. C. Turner of 229 Owen Boulevard, Willowdale, Ontario (nominee for Director of the Company) is Secretary of Rio Algom.

APPOINTMENT OF AUDITORS

The firm of Coopers & Lybrand, Chartered Accountants, or its predecessor firm, Cooper Brothers & Co., first audited the accounts of the Company in 1964 and has been regularly appointed to the office of Auditors of the Company by the shareholders in each ensuing year. The management of the Company is informed that no member of this firm has any interest, financial or otherwise, direct or indirect, in the Company or any of its parents or subsidiaries. Unless otherwise instructed, proxies which are received pursuant to this solicitation will be voted for the appointment of Coopers & Lybrand as Auditors of the Company.

SOLICITATION OF PROXIES

The Company will bear the cost of preparing, assembling and mailing the Notices of the Meeting, Information Circulars and forms of Proxy for the meeting. In addition to the use of the mails, proxies may

be solicited on behalf of management by Officers, Directors and regular employees of the Company personally or by telephone.

Under the provisions of The Corporations Act (Ontario), a shareholder giving a proxy has power to revoke it. The following is the revocation procedure prescribed in Section 75 (a) (4) of The Corporations Act.

"In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked."

Each shareholder has the right to designate as his proxy a person other than Mr. Armstrong or Mr. Turnbull, the management nominees, to attend and act for such shareholder at the meeting. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees in the enclosed form of proxy and inserting in the space provided the name of the person so appointed as his proxy, or may do so by executing a proxy in form similar to the enclosed form.

OTHER BUSINESS

The management does not know of any other matters that may come before the meeting. It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the meeting, the shares represented by the enclosed form of proxy will be voted by Mr. Armstrong or Mr. Turnbull, the management nominees, upon such other matters in accordance with the best judgment of such management nominees.

By Order of the Board of Directors

Toronto, Canada.
March 7, 1969.

J. S. Turnbull
Secretary

Anglo-Rouyn

MINES LIMITED

120 ADELAIDE STREET WEST, TORONTO 1, CANADA

The President and Directors of Anglo-Rouyn Mines Limited are pleased to present the Annual Report to Shareholders for the year ended December 31, 1967.

Officers

R. D. Armstrong	-	-	-	-	-	-	President
W. P. Arnold	-	-	-	-	-	-	Vice-President
J. S. Turnbull	-	-	-	-	-	-	Secretary
A. G. Goodeve	-	-	-	-	-	-	Treasurer
M. D. Lawton	-	-	-	-	-	-	Mine Manager

Directors

R. D. Armstrong	-	-	-	-	Toronto, Ontario
W. P. Arnold	-	-	-	-	Toronto, Ontario
G. Baker	-	-	-	-	Toronto, Ontario
Senator S. A. Hayden, Q.C.	-	-	-	-	Toronto, Ontario
J. A. Sadler	-	-	-	-	Toronto, Ontario

Head Office

120 Adelaide Street West - - - Toronto, Ontario

Transfer Agent and Registrar

Crown Trust Company - - - Toronto, Ontario

Shares Listed

Toronto Stock Exchange	-	-	Toronto, Ontario
Canadian Stock Exchange	-	-	Montreal, Quebec

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on Thursday, April 11, 1968 at 11:00 A.M. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1967.

Financial

The Company's net earnings for 1967, which was the first full year of operation, were \$531,911 as compared with net earnings of \$135,957 for the nine month period ended December 31, 1966. The bank loan, which amounted to \$4,100,000 at January 1, 1967 was reduced by \$500,000 to \$3,600,000 at December 31, 1967.

Production

Production at the Company's copper mine at Waden Bay in the Lac La Ronge district of Saskatchewan was as follows:

	<u>1967</u>	<u>1966</u>
	(9 months)	
Dry Tons Milled	309,123	199,251
Average Daily Rate — Tons	854	726
Calculated Mill Head Grade	1.88% cu.	1.79% cu.
Average % Recovery ..	95.7% cu.	94.5% cu.
Payable lbs. of Copper Produced in Concent- rate	10,652,436	6,638,571
Payable oz. of Gold Pro- duced	7,962	5,814
Payable oz. of Silver Produced	45,160	31,695

In 1967, the mined tonnage and grade increased and the mill was brought up to its rated capacity of 900 tons per day. At the same time, the mill showed some improvement in efficiency with recovery rising to 95.7%. All production was from underground, stoping being largely by the blast hole method in the beginning, which was changed to all shrinkage mining by year-end. The change in mining method was dictated by the configuration of the ore lenses being developed and is expected to lead to the mining of somewhat better grade by closer control of dilution. At the comparatively shallow depth being worked, ground conditions are good, the chief problem in mining being the 40° to 55° dip of some of the ore sections. Several approaches are being investigated to deal with this problem.

Underground development totalled 12,644 feet, slightly more than half of which was in ore. The development rate was increased during the second half of the year to somewhat over 1,400 feet per month, and it is intended to maintain this higher rate as far as possible until the "A" orebody is fully developed.

Labour Force

Except for the early months of the year, the mine has had sufficient employees on strength. Although as many local people as

possible are being employed and camp and community amenities have been improved, the crew has been maintained only by occasional recruiting visits to larger centres such as Edmonton and Winnipeg. Even so, turnover in underground mining labour continues to be severe and efforts are being directed to finding and hiring employees who can be expected to remain with the Company on a long term basis.

By December, 1967 the number of employees had increased to 226 from the figure of 183 at the previous year-end. This increase was made necessary mainly by the reduction in weekly hours of work from 44 to 40. The maintenance of average earnings on the basis of the shorter work week represented an increase of slightly over 11% in labour costs. The existing three-year collective agreement will expire in December, 1968.

Exploration

Exploration was carried out in the area adjoining Anglo-Rouyn south-west of the shaft and on the adjacent Anglo-Rouyn property. Several anomalies were indicated by an Induced Polarization Survey and of these the

best four were tested by diamond drilling. Although sufficient sulphides to explain the anomalies were intersected in the drilling, nothing of economic significance was encountered.

Directors and Officers

Your Directors wish to record the resignation, upon his retirement, of Mr. W. B. Malone as President and to acknowledge his valuable past services to the Company. Mr. Malone was replaced as President by Mr. R. D. Armstrong who is also President of Rio Algoma Mines Limited.

Your Directors wish to record their appreciation of the loyal and effective efforts of Mr. Lawton, Mine Manager, and the staff and employees of the Company throughout the year.

On behalf of the Board

R. D. ARMSTRONG
President

Toronto, Ontario
March 6, 1968

Anglo-Rouyn Mines Limited
Incorporated under the laws of Ontario)

BALANCE SHEET AS AT

ASSETS

	<u>1967</u>	<u>1966</u>
CURRENT:		
Cash	\$ 85,541	\$ 23,381
Short term deposit	50,000	—
Settlements and accounts receivable	1,861,371	1,367,186
Concentrates on hand, at estimated realizable value	69,925	42,164
Prepaid expenses	17,847	7,288
	<u>2,084,684</u>	<u>1,440,019</u>
INVESTMENT IN SHARES of Here Fault Copper Limited, at cost (no quoted market value)	40,000	40,000
FIXED, at cost:		
Plant and equipment	3,775,348	3,557,166
Less accumulated depreciation	876,657	314,076
	<u>2,898,691</u>	<u>3,243,090</u>
Mining properties, at cost (\$79,000) less accumulated amortization	59,345	71,249
	<u>2,958,036</u>	<u>3,314,339</u>
DEFERRED EXPENDITURES AND OTHER ASSETS, at cost:		
Preproduction and development less amortization	2,098,246	2,473,847
Mine supplies	282,324	169,927
Refundable profit tax and other assets	35,022	12,583
	<u>2,415,592</u>	<u>2,656,357</u>
	<u><u>\$7,498,312</u></u>	<u><u>\$7,450,715</u></u>

EMBER 31, 1967

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
CURRENT:		
Bank loan (secured) (note 1)	\$3,600,000	\$4,100,000
Accounts payable and accrued liabilities	498,805	456,047
Due to Rio Algom Mines Limited, parent company	206,639	560,686
Due to associated companies	—	2,516
Housing mortgages payable within one year	20,998	8,078
	<u>4,326,442</u>	<u>5,127,327</u>
OTHER:		
Advances from Rio Algom Mines Limited, parent company (note 2)	795,514	753,939
Housing mortgages less amount due within one year	423,513	148,517
	<u>1,219,027</u>	<u>902,456</u>
SHAREHOLDERS' EQUITY (note 1):		
Capital stock —		
Authorized:		
5,000,000 shares with a par value of \$1 each		
Issued:		
4,807,585 shares	4,807,585	4,807,585
Less discount on shares	2,766,447	2,766,447
	<u>2,041,138</u>	<u>2,041,138</u>
Deficit	88,295	620,206
	<u>1,952,843</u>	<u>1,420,932</u>
Approved on behalf of the Board:		
R. D. ARMSTRONG, Director		
W. P. ARNOLD, Director		
	<u>\$7,498,312</u>	<u>\$7,450,715</u>

AUDITORS' REPORT

To the Shareholders of
Anglo-Rouyn Mines Limited:

We have examined the balance sheet of Anglo-Rouyn Mines Limited as at December 31, 1967 and the statements of earnings, deficit and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

Toronto, Ontario
February 19, 1968

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
Revenue from production	\$5,642,381	\$3,500,721
Less marketing expense	946,655	568,485
	<u>4,695,726</u>	<u>2,932,236</u>
Operating expenses:		
Mining	1,199,446	796,129
Milling	211,806	166,084
Plant and utilities	817,754	574,062
Mine general expense	581,203	371,952
	<u>2,810,209</u>	<u>1,908,227</u>
Mine operating profit	<u>1,885,517</u>	<u>1,024,009</u>
Depreciation	562,581	314,076
Amortization	428,370	281,379
Interest expense	286,613	239,692
Management fee	60,000	45,000
Executive office general expense	16,042	7,905
	<u>1,353,606</u>	<u>888,052</u>
Net earnings for the year (note 3)	<u><u>\$ 531,911</u></u>	<u><u>\$ 135,957</u></u>

Commercial production commenced April 1, 1966

Statement of Deficit

FOR THE YEAR ENDED DECEMBER 31, 1967

Balance, beginning of year	\$ 620,206	\$ 756,163
Net earnings for the year	531,911	135,957
Balance, end of year	<u><u>\$ 88,295</u></u>	<u><u>\$ 620,206</u></u>

Statement of Source and Disposition of Funds

FOR THE YEAR ENDED DECEMBER 31, 1967

Source of funds:	1967	1966
Net earnings for the year	\$ 531,911	\$ 135,957
Add depreciation and amortization which did not involve current outlay of funds	990,951	595,455
Total from operations	1,522,862	731,412
Non-current advances from Rio Algom Mines Limited, parent company	41,575	55,212
Housing mortgages (net)	274,996	148,517
	<u>1,839,433</u>	<u>935,141</u>
Disposition of funds:		
Expenditures (net) for fixed assets	218,182	854,565
Expenditures (net) for preproduction and development	40,865	432,881
Increase in mine supplies	112,397	74,740
Increase refundable profit tax and other assets (net)	22,439	12,583
	<u>393,883</u>	<u>1,374,769</u>
Decrease (increase) in working capital deficiency	<u>\$1,445,550</u>	<u>\$ (439,628)</u>

Notes to Financial Statements

For the Year Ended December 31, 1967.

1. The bank loan is secured by way of assignment of ore concentrates, supplies, etc., under Section 88 of the Bank Act, a registered general assignment of accounts receivable and a first mortgage bond of \$4,100,000 and is repayable out of profits from operations. Under the terms of the agreement with the bank, no dividends can be paid until such time as the bank loan has been retired.
2. Advances (including accrued interest) from Rio Algom Mines made in the form of mining equipment are subordinated to the bank loan (see note 1 above).
3. No provision has been made for income taxes because the three year exemption under Section 83 (5) of the Income Tax Act commenced March 1, 1966 in respect of income derived from mining operations.
4. At December 31, 1967 the company estimated the total cost to complete capital projects was approximately \$260,000 of which approximately \$200,000 had been committed.
5. During the year ended December 31, 1967 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was \$64,780.

Rio Algoma

Rio Tinto

